

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	Iosco County Drain Commission	County	IOSCO	Type	OTHER	MuniCode	35-7-011
Opinion Date	June 26, 2008	Audit Submitted		Fiscal Year	December 31, 2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="N/A"/>
General Fund Expenditure:	<input type="text" value="N/A"/>
Major Fund Deficit Amount:	<input type="text" value="N/A"/>

General Fund Balance:	<input type="text" value="N/A"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="1830000"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Gerald	Last Name	Desloover	Ten Digit License Number	1101007126
CPA Street Address	5800 Gratiot Ave.	City	Saginaw	State	MI
				Zip Code	48605
				Telephone	(989) 799-9580
CPA Firm Name	Rehmann Robson	Unit's Street Address	PO Box 538	City	Tawas
				Zip Code	48764

Iosco County Drain Commission
Tawas City, Michigan

(a Component Unit of Iosco County)

Financial Statements

For the Year Ended December 31, 2007

IOSCO COUNTY DRAIN COMMISSION

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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INDEPENDENT AUDITOR'S REPORT

June 26, 2008

To the Iosco County Drain Commission
Iosco County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***Iosco County Drain Commission***, a component unit of Iosco County, as of and for the year ended December 31, 2007, which collectively comprise the ***Iosco County Drain Commission's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Iosco County Drain Commission's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ***Iosco County Drain Commission*** as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Iosco County Drain Commission has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

IOSCO COUNTY, MICHIGAN
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2007

	DEBT SERVICE FUNDS					
	LAKEWOOD STORM	ELM CREEK	KELCHNER DRAIN	GREGORY/ SCHERRETT DRAIN	WHITNEY DRAIN DEBT	PARENT DRAIN DEBT
ASSETS						
Cash and cash equivalents	\$ 1,109	\$ 1,818	\$ 10	\$ 6,140	\$ 87,869	\$ 21,693
Due from other governmental units	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	1,183,167	112,360
Due from other funds	-	-	-	-	-	-
Capital assets						
Assets not being depreciated	-	-	-	-	-	-
Assets being depreciated, net	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,109</u>	<u>\$ 1,818</u>	<u>\$ 10</u>	<u>\$ 6,140</u>	<u>\$ 1,271,036</u>	<u>\$ 134,053</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	10	-	-	-
Advance from primary government	-	-	-	-	-	-
Deferred revenue	-	-	-	-	1,183,167	112,360
Current portion of bonds and notes payable	-	-	-	-	-	-
Bonds and notes payable	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>1,183,167</u>	<u>112,360</u>
FUND BALANCES						
Reserved for debt service	1,109	1,818	-	6,140	87,869	21,693
Reserved for capital projects	-	-	-	-	-	-
TOTAL FUND BALANCE	<u>1,109</u>	<u>1,818</u>	<u>-</u>	<u>6,140</u>	<u>87,869</u>	<u>21,693</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,109</u>	<u>\$ 1,818</u>	<u>\$ 10</u>	<u>\$ 6,140</u>	<u>\$ 1,271,036</u>	<u>\$ 134,053</u>

The accompanying notes are an integral part of these financial statements.

CAPITAL PROJECTS FUNDS									
VAN ETTAN DAM LAKE LEVEL	WHITNEY DRAIN	PARENT DRAIN	LAKE LEVEL MAINTENANCE	DRAIN MAINTENANCE	LAKE LEVEL REVOLVING	DRAIN ASSESSMENT REVOVLING	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET ASSETS
\$ 39,586	\$ 677,751	\$ 120	\$ 472	\$ 39,665	\$ 12,000	\$ 50,140	\$ 938,373	\$ -	\$ 938,373
-	-	-	-	-	-	-	-	423,811	423,811
-	-	-	-	-	-	-	1,295,527	-	1,295,527
-	-	-	-	-	-	2,025	2,025	(2,025)	-
-	-	-	-	-	-	-	-	1,332,923	1,332,923
-	-	-	-	-	-	-	-	154,166	154,166
<u>\$ 39,586</u>	<u>\$ 677,751</u>	<u>\$ 120</u>	<u>\$ 472</u>	<u>\$ 39,665</u>	<u>\$ 12,000</u>	<u>\$ 52,165</u>	<u>\$ 2,235,925</u>	<u>1,908,875</u>	<u>4,144,800</u>
\$ -	\$ 98,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,039	5,605	103,644
-	-	573	-	1,442	-	-	2,025	(2,025)	-
-	-	-	-	-	12,000	55,000	67,000	-	67,000
-	-	-	-	-	-	-	1,295,527	(1,295,527)	-
-	-	-	-	-	-	-	-	125,000	125,000
-	-	-	-	-	-	-	-	1,705,000	1,705,000
-	98,039	573	-	1,442	12,000	55,000	1,462,591	538,053	2,000,644
-	-	-	-	-	-	-	118,629	(118,629)	-
<u>39,586</u>	<u>579,712</u>	<u>(453)</u>	<u>472</u>	<u>38,223</u>	<u>-</u>	<u>(2,835)</u>	<u>654,705</u>	<u>(654,705)</u>	<u>-</u>
<u>39,586</u>	<u>579,712</u>	<u>(453)</u>	<u>472</u>	<u>38,223</u>	<u>-</u>	<u>(2,835)</u>	<u>773,334</u>	<u>(773,334)</u>	<u>-</u>
<u>\$ 39,586</u>	<u>\$ 677,751</u>	<u>\$ 120</u>	<u>\$ 472</u>	<u>\$ 39,665</u>	<u>\$ 12,000</u>	<u>\$ 52,165</u>	<u>\$ 2,235,925</u>	<u>(235,281)</u>	<u>-</u>

Net assets:

Invested in capital assets, net of related debt	(342,911)	(342,911)
Restricted for:		
Debt service	118,629	118,629
Acquisition/construction of capital assets	654,705	654,705
Unrestricted	1,713,733	1,713,733
Total net assets	<u>\$ 2,144,156</u>	<u>\$ 2,144,156</u>

IOSCO COUNTY DRAIN COMMISSION
A COMPONENT UNIT OF IOSCO COUNTY
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

Fund balances - total governmental funds	\$ 773,334
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	1,487,089
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Long-term receivables are recorded as revenue when payment is received on the governmental fund statements and as revenue when a receivable occurs on the statement of activities

Add - deferred revenue related to long-term receivables	1,295,527
Add - receivable on debt owed by Arenac and Ogemaw Counties	423,811

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - interest payable	(5,605)
Deduct - bonds and notes payable	(1,830,000)

Net assets of governmental activities	<u>\$ 2,144,156</u>
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The accompanying notes are an integral part of these financial statements.

IOSCO COUNTY, MICHIGAN
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007

	DEBT SERVICE FUNDS					
	LAKEWOOD STORM	ELM CREEK	KELCHNER DRAIN	GREGORY/ SCHERRETT DRAIN	WHITNEY DRAIN DEBT	PARENT DRAIN DEBT
REVENUES						
State grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	21,421	23,572
Other	4	7	-	24	34	85
TOTAL REVENUES	4	7	-	24	21,455	23,657
EXPENDITURES/EXPENSES						
Public works:						
Construction	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Debt service:						
Bond principal	-	-	-	-	-	10,000
Bond interest and fees	-	-	-	-	-	5,528
Paying agent fees	-	-	-	-	-	225
TOTAL EXPENDITURES/EXPENSES	-	-	-	-	-	15,753
REVENUES OVER (UNDER) EXPENDITURES	4	7	-	24	21,455	7,904
OTHER FINANCING SOURCES/USES						
Issuance of debt	-	-	-	-	-	-
Transfers in (out)	-	-	435	-	66,133	-
TOTAL OTHER FINANCEING SOURCES/USES	-	-	435	-	66,133	-
CHANGE IN FUND BALANCES	4	7	435	24	87,588	7,904
Change in net assets						
FUND BALANCES/NET ASSETS (DEFICIT), BEGINNING OF YEAR	1,105	1,811	(435)	6,116	281	13,789
FUND BALANCES/NET ASSETS (DEFICIT), END OF YEAR	\$ 1,109	\$ 1,818	\$ -	\$ 6,140	\$ 87,869	\$ 21,693

The accompanying notes are an integral part of these financial statements.

CAPITAL PROJECT FUNDS									
VAN ETTAN DAM LAKE LEVEL	WHITNEY DRAIN	PARENT DRAIN	LAKE LEVEL MAINTENANCE	DRAIN MAINTENANCE	LAKE LEVEL REVOLVING	DRAIN ASSESSMENT REVOLVING	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF ACTIVITIES
\$ -	\$ 45,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,669	\$ -	\$ 45,669
44,432	178,599	-	-	46,640	-	-	314,664	1,161,900	1,476,564
-	-	-	-	-	-	-	154	423,811	423,965
44,432	224,268	-	-	46,640	-	-	360,487	1,585,711	1,946,198
-	533,158	573	-	-	-	-	533,731	(525,044)	8,687
14,622	-	-	-	32,121	-	-	46,743	-	46,743
-	859,000	-	-	-	-	-	869,000	(869,000)	-
-	24,581	-	-	-	-	-	30,109	5,605	35,714
-	13,782	-	-	-	-	-	14,007	-	14,007
14,622	1,430,521	573	-	32,121	-	-	1,493,590	(1,388,439)	105,151
29,810	(1,206,253)	(573)	-	14,519	-	-	(1,133,103)	2,974,150	1,841,047
-	1,690,000	-	-	-	-	-	1,690,000	(1,690,000)	-
-	(66,133)	2,400	-	-	-	(2,835)	-	-	-
-	1,623,867	2,400	-	-	-	(2,835)	1,690,000	(1,690,000)	-
29,810	417,614	1,827	-	14,519	-	(2,835)	556,897	(556,897)	-
								1,841,047	1,841,047
9,776	162,098	(2,280)	472	23,704	-	-	216,437	86,672	303,109
\$ 39,586	\$ 579,712	\$ (453)	\$ 472	\$ 38,223	\$ -	\$ (2,835)	\$ 773,334	\$ 1,370,822	\$ 2,144,156

**IOSCO COUNTY DRAIN COMMISSION
A COMPONENT UNIT OF IOSCO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds	\$ 556,897
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	533,158
Deduct - depreciation expense	(8,114)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - bond proceeds	(1,690,000)
Add - principal payments on long-term liabilities	869,000
Deduct- increase in interest payable	(5,605)
Add - revenue for reimbursement of debt by Arenac and Ogemaw Counties	423,811

Some revenues reported in the funds provide current financial resources and therefore are not reported as revenues in the statement of net assets

Deduct - assessment revenue is recorded in the fund statements as revenues when measurable and available and as revenue when levied on the statement of activities	<u>1,161,900</u>
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Change in net assets of governmental activities	<u><u>\$ 1,841,047</u></u>
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The accompanying notes are an integral part of these financial statements.

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Iosco County Drain Commission, referred to as the “Drain Commission”, is a discrete component unit of Iosco County, Michigan, (the “County”) and is used to track the collections and expenditures related to construction and maintenance of drainage districts throughout the County. Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The statutory drainage Board of Chapter 21 drainage districts consists of the State Director of Agriculture and the drain commissioner of each County involved in the project. The County Drain Commissioner has sole responsibility to administer the drainage districts established pursuant to Chapters 4 and 8 of the Drain Code. The drainage Board or drain commissioner, on behalf of the drainage districts, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

The Drain Commission is considered to be a component unit of the County because the County has the ability to significantly influence operations and has accountability for fiscal matters.

The Drain Commission, as a component unit of the County, is required by Public Act 2 of the State of Michigan to have an audit performed of its operations. Because the Drain Commission is not reported in the County’s financial statements, this financial report has been prepared to meet these requirements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by program revenues (special assessments) and grant revenues.

A combined financial statement is provided for the governmental fund balance sheet and the statement of net assets, and the governmental fund revenues, expenditures and changes in fund balances and the statement of activities.

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

Measurement Focus Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (governmental fund balance sheet and governmental fund revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Charges for services, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash included in the County's pooled cash and funds deposited at financial institutions on behalf of the Drain Commission, and certificates of deposit with an original maturity of three months or less.

Due To and Due From Other Funds

The Drain Commission has occasional transactions between funds to finance construction and debt service. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund receivables or payables have been recorded.

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital assets, which include infrastructure, are reported in the government-wide statements (statement of net assets). Capital assets are defined by the Drain Commission as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of governmental fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund total column.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Building and improvements	10-40 years
Equipment	5-10 years
Vehicles	5-7 years
Infrastructure	5-50 years

The Drain Commission is considered a “Phase III government” as it relates to implementation of GASB Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Because the Drain Commission is a phase III government, it is required to account for general infrastructure assets prospectively, beginning January 1, 2003, but is not required to retroactively report infrastructure assets.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenue

Deferred revenue in the financial statements has been recorded for the amount of special assessments receivable.

Risk Financing

The Drain Commission participates in the County's risk financing programs. Complete disclosures can be found in the County's Financial Report.

2. CASH AND CASH EQUIVALENTS

The County has adopted an official investment policy which is in accordance with investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, Act 196 PA 1997 (the Act). The Act generally allows the County to deposit funds in banks, savings and loans, and credit unions; commercial paper; repurchase agreements; bankers acceptances; and, with some restrictions, mutual funds. The Drain Commission follows the County's investment policy.

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Governmental Fund Type:	
Cash and cash equivalents	<u>\$ 938,373</u>

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Drain Commission's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$100,000 of the portion of the Drain Commission's separately identifiable deposits with a bank balance of \$118,639 was insured. However, of the above carrying amount, \$819,735 is included in the County's pooled cash account and the amount exposed to custodial credit risk because it was uninsured and uncollateralized is unidentifiable.

3. SPECIAL ASSESSMENTS

The Drain Commission may levy special assessments to cover the construction and debt associated with work in a drain district. The amount is determined by September 1 and is added to the December tax bill. The special assessments become an enforceable lien on property as of December 1. Taxes are levied on December 1, and are payable by February 28. The cities and townships within the County bill and collect the assessments for the County. Special assessments levied December 1 are considered revenue for the subsequent years; therefore special assessments in the governmental funds have been offset by deferred revenue. The property owner may pay off the assessment early or pay the portion due for that year. The total amount that is not expected to be collected within one year is \$1,189,746.

4. DEFINED BENEFIT PENSION PLAN

The Drain Commission participates in the County's pension plans. The County's defined benefit pension plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. All County employees hired after January 2000, with the exception of certain bargaining units, are required to participate in the Iosco County Employees Defined Contribution Pension Plan. The plan is a single employer defined contribution pension plan, established by the County and administered by an outside third-party administrator. Further disclosures of the pension plan are included within Iosco County's annual financial report.

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

5. DEFICIT BALANCES IN FUND EQUITIES

The Drain Assessment Revolving Capital Project Fund and the Parent Drain Capital Project Fund have fund balance deficit's at December 31, 2007, in the amount of \$2,835 and \$453 respectively. The Drain Commission will develop a deficit elimination plan, which will be submitted to the Local Audit and Finance Division of the State of Michigan.

6. CAPITAL ASSETS

The following table summarizes the changes in the capital assets for the year ended December 31, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress- infrastructure	<u>\$ 799,765</u>	<u>\$ 533,158</u>	<u>\$ -</u>	<u>\$1,332,923</u>
Capital assets being depreciated				
Infrastructure	162,280	-	-	162,280
Less accumulated depreciation				
Infrastructure	<u>-</u>	<u>(8,114)</u>	<u>-</u>	<u>(8,114)</u>
Total capital assets being depreciated, net	<u>162,280</u>	<u>(8,114)</u>	<u>-</u>	<u>154,166</u>
Total capital assets	<u>\$ 962,045</u>	<u>\$ 525,044</u>	<u>\$ (162,280)</u>	<u>\$1,487,089</u>

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT

Long-term debt consists of limited tax general obligation bonds and notes, described as follows:

	Balance January 1, 2007	Additions (Deductions)	Balance December 31, 2007
<u>5.12% Whitney Intercounty Drainage Bonds</u> Dated October 1, 2007, due in annual installments of \$110,000 to \$115,000 plus interest through June 1, 2022	\$ -	\$ 1,690,000	\$ 1,690,000
<u>2.25% Whitney Intercounty Note</u> dated June 15, 2004, due in one installment of \$299,000 on June 15, 2007, plus interest.	\$ 299,000	\$ (299,000)	\$ -
<u>3.75%-4.0% Parent Drain Bond</u> dated September 1, 2005, due in annual installments of \$10,000 to \$20,000 on May 1 through 2015.	150,000	(10,000)	140,000
<u>3.50% Whitney Intercounty 2005 Note</u> dated September 8, 2005, due in one installment of \$560,000 on December 1, 2007, plus interest.	<u>560,000</u>	<u>(560,000)</u>	<u>-</u>
Total Drain Commission Debt	<u>\$ 1,009,000</u>	<u>\$ 821,000</u>	<u>\$ 1,830,000</u>

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

Changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Drain Commission:					
Drain Notes	<u>\$ 1,009,000</u>	<u>\$ 1,690,000</u>	<u>\$ (869,000)</u>	<u>\$ 1,830,000</u>	<u>\$ 125,000</u>

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 125,000	\$ 81,725
2009	125,000	65,496
2010	125,000	60,534
2011	125,000	55,571
2012	130,000	50,515
2013-2017	625,000	175,650
2018-2022	<u>575,000</u>	<u>57,500</u>
Total	<u>\$ 1,830,000</u>	<u>\$546,991</u>

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Capital Projects Funds:		
Parent Drain	\$ -	\$ 573
Drain Maintenance	-	1,442
Revolving Drain	2,025	-
Debt Service Fund:		
Kelchner	-	10
Total	<u>\$ 2,025</u>	<u>\$ 2,025</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers From Other Funds</u>	<u>Transfers to Other Funds</u>
Whitney Drain Debt Service Fund	\$ 66,133	
Whitney Drain Capital Project Fund		\$ 66,133
Drain Assessment Revolving Fund		2,835
Kelchner Drain Debt Service	435	
Parent Drain Debt Service	<u>2,400</u>	
Total	<u>\$ 68,968</u>	<u>\$ 68,968</u>

IOSCO COUNTY DRAIN COMMISSION

NOTES TO FINANCIAL STATEMENTS

The transfer is from the Whitney Drain Capital Project Fund to the Whitney Drain Debt Service Fund for payment of interest expense and agent fees on the corresponding debt and from the Drain Assessment Revolving Fund for debt service in the Kelchner Drain and Parent Drain Debt Service.

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